The Influence of the Financial Strategy on the Development of the State Corporation

A. D. Trushanina
Faculty of Economics and Business, Financial University under the Government of the Russian Federation

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Abstract: The subject of the study is the influence of financial strategy on the development of the state corporation; the state corporation "Rostec" was chosen as the object of the study. The article discusses the main approaches to defining the essence of a financial strategy, its functions. In this work, theoretical methods of scientific research were used, such as analysis and synthesis, deduction and induction, abstraction, as well as empirical and mathematical methods, which include the comparison method and the statistical method, respectively. Attention is paid to the development of the Rostec Group both from the side of retrospective analysis and from the side of the analysis of long-term development plans of the corporation. The main directions of development of this state corporation are given. The goal of increasing the share of civilian products in revenue was considered in detail, tools were proposed to achieve this goal. This made it possible to draw a conclusion about financial strategy as the basis of the overall development strategy of the corporation, affecting all business processes, regardless of whether they occur within the corporation or are associated with the external environment.

1 INTRODUCTION

Determining the relevance of the development of a financial strategy that develops a corporation, it is necessary to focus on the issue of increasing the role of finance in socio-economic relations. This phenomenon is characterized by the term "financialization", which reflects the advanced development of the financial sector in comparison with the production sector. In the process of digitalization, it is in the financial sphere that specific tools appear first, over which the state should exercise control. At the micro level, the impact of finance is also great – financial risk management becomes a determining factor in the planning and forecasting of the corporation's activities for the long term. In modern conditions, financial risks, such as currency risks, risks of changes in the market value of companies, interest rate risks and risks of loss of financial stability, affect the life of economic entities no less than production risks. Corporations develop financial strategies not only to maintain their position in the market, but also to develop over the years. State-owned corporations, in turn, serve to ensure national and state interests, they have a role to play in the modernization of infrastructure projects in the country, the financial strategy of such organizations has an impact on development at the national level.

Before analyzing the problem of the relationship between a financial strategy and a corporation, you should study the basic definitions. According to the Civil Code of the Russian Federation, corporate legal entities (corporations) are legal entities whose founders have the right to participate in them and form their highest body. Corporations are usually associated with joint-stock companies, but according to the Code, corporations include partnerships, cooperatives, and many other types of legal entities. Corporate governance is the organization of control over the management system of a company, and the quality of control affects the assessment of this company by the financial market.

At the same time, state corporations, according to Federal Law No. 7-FZ "On Non-Profit Organizations", are non-profit organizations. A state corporation is considered to be "a non-member non-profit organization established by the Russian Federation on the basis of a property contribution and established for the performance of social, managerial or other socially useful functions". State-owned corporations:

- have a hierarchical structure, for example, holdings are part of clusters, while companies
of equal importance are part of holdings. Financing also goes "top-down", that is, there is an organizational and financial subordination of economic entities that are part of a state corporation;
- to include enterprises of the same profile that operate on the basis of pooling resources;
- to provide the economic entities that are part of them with the necessary personnel (highly qualified), they can realize their capabilities for conducting research and development work (R & D) and organizing the educational process.

State corporations include large economic entities, such as Rostec, Vnesheconombank, Rosatom, and others. State-owned corporations can be created in any industry, the main thing is to represent the state interests. Their activities are inextricably linked with the implementation of the long-term policy of the state. The criterion for the effectiveness of such activities is the achievement of strategic goals. In this paper, the Rostec Group of Companies will be considered in detail.

The financial strategy is a set of plans and objectives of the financial activities of the corporation, calculated for a long period and aimed at ensuring the effective development of the company. The financial strategy reflects the financial objectives of the company's overall strategy. Foreign and domestic researchers give different definitions of the essence of the term "financial strategy". Foreign and Russian researchers have a different understanding of the essence of financial strategy. Russian scientists consider the financial strategy as one of the components of the overall strategy of an economic entity. Foreign experts believe that the financial strategy is of decisive importance, it is the basis for the positioning of the corporation in the market. It also contains the basics of management and goal setting.

After analyzing the different definitions, we can conclude that foreign and Russian researchers have a different understanding of the essence of financial strategy. The financial strategy reflects the financial objectives of the company's overall strategy. Foreign and domestic researchers give different definitions of the essence of the term "financial strategy".

The essence of the concept of "financial strategy" can be revealed through functions. Thus, we can illustrate the essence of a financial strategy from three sides. First, the financial strategy is an official document that contains the principles of management, the financial goals of the corporation and basic information on the tools to achieve these goals, ways to improve the quality of the company's activities, expressed in financial indicators. Such a document is of a public nature within the framework of information disclosure, but it can also be used for internal use. Secondly, it is part of the overall strategy of the company, as well as a reflection of the principle of hierarchical management. Thus, the financial strategy is based on the overall strategy of the company, but changes to the existing strategy are made "from the bottom up" - first in the financial strategy, then in the overall strategy of the corporation. Third, the financial strategy serves as a direction in financial management. In this case, it has an applied nature and is used in the corporation as a tool for responding to risks. State-owned corporations, like other large companies, adhere to corporate governance standards, but as policy documents containing specific actions, financial strategies are only for internal use.

In 2007, a federal law was issued on the creation of the state corporation "Rostecnologii", later renamed "Rostec". The financial functions of Rostec State Corporation are defined in this law and consist in ensuring the promotion and sale of high-tech products. In addition, Rostec is engaged in attracting investments in various industrial companies, including companies in the defense industry. Since this is a non-profit organization, the goals are more likely to carry the desire of the state to improve the state of the industry, than the desire to get more profit.

This state corporation was established to promote the development, production, and sale of high-tech products, and to support the innovative development of industry in Russia. Rostec Group combines holding companies aggregated into clusters by industry: the Aviation cluster, the Radio Engineering cluster, and the Armament cluster.

Rostec Group was created during the crisis, when most companies in the military-industrial complex were unprofitable or were at the stage of bankruptcy. Of the 443 enterprises, more than a third were in a state of crisis, the total loss was 64 billion rubles, the total debt of enterprises was about 630 billion rubles. The goals of creating a state corporation can be considered to ensure the effective management of state assets, the recovery of industrial enterprises from the crisis situation, and the improvement of the quality of domestic products. At the moment, the state corporation has about 560 thousand employees, branches are located almost throughout the Russian Federation. The corporation occupies one of the highest places in terms of sales, size, and export volume.

The management of Rostec Group focuses corporate governance on improving the efficiency of the use of the property complex. There is a positive trend in terms of financial results, there is an increase in consolidated net profit and, accordingly, profitability of operations. The main performance indicators of the company for the period 2014-2019 are presented in table 1.
Table 1: Key performance indicators of the company for the period 2014-2019.

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<tr>
<td>Revenue, (billion rubles)</td>
<td>964.5</td>
<td>1140</td>
<td>1266</td>
<td>1589.1</td>
<td>1642.7</td>
<td>1771.6</td>
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<tr>
<td>Net profit, (billion rub.)</td>
<td>33.9</td>
<td>99 88</td>
<td>121.3</td>
<td>128.1</td>
<td>179.2</td>
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<tr>
<td>Labor productivity (thousand rubles / person)</td>
<td>2176</td>
<td>2564</td>
<td>2793</td>
<td>3106</td>
<td>3103</td>
<td>3000</td>
</tr>
<tr>
<td>Total (number of employees, people)</td>
<td>443400</td>
<td>445000</td>
<td>453000</td>
<td>511700</td>
<td>529300</td>
<td>590600</td>
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<tr>
<td>Average salary, (rub/mns)</td>
<td>37140</td>
<td>41000</td>
<td>44000</td>
<td>46700</td>
<td>49500</td>
<td>54400</td>
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Source: compiled by the authors on the basis of [Official website of Rostec Group of Companies [Electronic resource]. URL: https://rostec.ru/].

As can be seen from the table, the growth rate of Rostec Group in terms of financial indicators is very impressive—revenue grew throughout the entire period, net profit for 2019 increased more than 5 times compared to 2014. The total number of employees in the budgeting loop increased by 147,200 during the period, indicating an increase in the scope of activities. At the same time, the average salary became higher than the all-Russian indicator only after 2013. However, in absolute terms, the salary level is too low for high-tech enterprises to compete for qualified personnel. The corporation's labor productivity (output per employee) has been declining since 2017, which is a negative factor.

In 2015, the Rostec Group's Development Strategy for the period up to 2025 was approved. This strategy includes both long-term financial goals and desired results, that is, the financial strategy does not have a separate form in the public domain, but is included in the overall development strategy. By 2025, Rostec Group plans to achieve the following results:

- Rostec is reaching the level of the world's largest industrial corporations in terms of revenue
- The share of civilian products in revenue—above 50%
- Average annual growth of ruble revenue - 17%
- EBITDA margin—at the level of the first quarter of global peers.

By 2025, the state corporation plans to increase labor productivity and the difference between the price and the cost of production (that is, it seeks to reduce production costs) to the level of the world's best analog companies. In addition, Rostec Group plans to increase revenue by increasing the range of manufactured civil products (NGIN). The priority areas of activity are the automotive industry, radio electronics, and aircraft manufacturing. The attraction of "smart" capital and the creation of partnerships are identified as important elements of the strategy. All this contributes to attracting additional investments and expanding access to new sales markets. Rostec Group has experience in partnership with foreign companies and continues to develop in this direction. The share of Rostec enterprises' products in the state defense order is more than 30%, and therefore its implementation is also a strategic priority of the Corporation.

To achieve the goals of the Strategy, goals and objectives are formed for each cluster (activity areas), in order to extend them to each organization that is part of the state corporation. The goal of the "Aviation" and "Armament" clusters is an average annual revenue growth of at least 12%, and the goal of the "Radioelectronics" cluster is an increase of at least 22%. The tasks of the aviation complex include maintaining production volumes for the domestic market and increasing sales volumes in the foreign market. To achieve this goal, it is necessary to increase the share of Rostec in the global consumption of aircraft products. The tasks of radio electronics manufacturers are to increase sales of new developments and products based on them, to develop complex projects aimed at increasing the existing integration scheme. For the military industry, the following tasks were identified: maintaining world standards for the production of weapons and bringing the development, production and service of weapons to a level that exceeds global standards. Sanctions imposed by other countries against enterprises belonging to the Rostec Group of Companies may prevent the implementation of strategic goals. Therefore, the management of the state corporation is interested in improving operational efficiency, concluding new partnership agreements, mastering the production of the latest high-tech products and optimizing sales mechanisms.

Let's take a closer look at the goal of the Rostec Group's financial strategy regarding the share of civilian products in revenue (50% or higher by 2025). The emphasis should be placed on the production of high-tech products. According to forecasts, this share
should be about 2429 billion rubles. The traditional leaders in the production of civilian products are PJSC "KAMAZ" and JSC "Uralvagonzavod" - the share of civilian products in revenue is 97% and 38%, respectively. Gradually, companies from the radio-electronic "Rostec" with the highest increase in sales of civilian products, such as JSC "Roselektronika" (11%), JSC "Shvabe" (31%), are becoming leaders. The basic strategy for the development of the production of new civilian high-tech products is as follows:

1. Determine the list of target markets
2. Create a competitive product and service offer
3. Determine the target development model for each market (organic model/ M&A model/joint venture)
4. Attract the necessary human resources
5. Provide the required funding

The State Corporation strives to diversify the production of civilian high-tech products through a project-based approach in order to achieve the goal of the financial strategy. To implement the diversification program, we have assembled a set of complementary tools that provide a synergistic effect. The tools were approved by the Project Committee of the Rostec Group of Companies.

In order to achieve financial goals in the state corporation, the NGO "Conversion" and JSC JSCB "NOVIKOMBANK", which are owned by Rostec, are involved. The Bank should carry out structuring of the project financing scheme, financing of defense industry diversification projects and mezzanine financing in the short term. The project office of the federal diversification program in Rostec is the NGO "Conversion". This organization is engaged in the development and implementation of state support tools, the integration of civil products (PGN) in the implementation of national and investment programs of state-owned companies, updating the regulatory framework. The project activity of the NGO "Conversion" consists in the development of development strategies in civil markets and business plans, as well as the" packaging " of projects to attract funding. The organization is engaged in the formation and development of a product portfolio, entering new markets and organizing sales channels, concepts for creating joint ventures and production sites.

Rostec Group is engaged in creating partnerships with private companies. Kalashnikov Concern, KAMAZ PJSC and VSMPO-AVISMA actively participate in strategic partnerships. In 2018, the share of Kalashnikov shares sold to private investors reached 75%. At the same time, the concern itself was engaged in the acquisition of shares and the creation of a joint venture, the implementation of a large-scale program of modernization of production with an investment of 10.5 billion rubles. The results of these processes were the entry into new product segments, new foreign markets for civilian small arms and revenue growth from 2.3 billion rubles to 15.7 billion rubles, in three years. The other two organizations mentioned above also have revenue growth and production intensification. In general, the creation of partnerships with private companies-the leaders of their industries-is one of the most effective tools for the diversification of the defense industry, providing both rapid results and sustainable market competitiveness in the long term.

2 CONCLUSIONS

Thus, the financial strategy becomes an important tool for the development of any corporation, including the state one. The financial strategy contains goals and objectives for the long-term or medium-term period, in this study, the development strategy for 10 years ahead was considered. The mechanisms for achieving the goals of the financial strategy are not freely available, which is quite normal. Presumably, they are registered in corporate documents and serve only for internal use. The development strategy of Rostec Group until 2025 contains not only financial goals and activities, but the effectiveness of its implementation will be evaluated precisely by financial indicators, which confirms the importance of the financial strategy in the structure of the overall strategy of the state corporation. The tools for achieving one of the goals of Rostec's financial strategy were discussed in detail, and the most effective tool for diversifying production is the creation of partnerships with private companies. The state Corporation "Rostec" has achieved great success since its creation, bringing unprofitable enterprises out of the crisis state. The company's development is achieved through planning and forecasting in all areas of activity, the implementation of these plans, and the plans are reflected in the Strategy. Thus, the development of the state corporation and the financial strategy are directly linked, and strategic planning has an impact on the further activities of Rostec Group.

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